

A Mold Maker Finds a Mexican Match

Small Manufacturer Uses Interagency Approach to Export

by John Ward

ITA Office of Public Affairs

The tool-and-die sector of the U.S. economy has been buffeted in recent years by numerous challenges, including intense competition from low-priced foreign competitors, a looming dearth of skilled workers, and the deleterious effects of tariffs on the price of one of its most important raw materials. One Midwestern company, though—Metz Tool and Die of Rockford, Ill.—has been working hard to overcome these obstacles by aggressively seeking new markets abroad. And with the help of some results-oriented government programs—such as those of the U.S. Commercial Service, the U.S. Small Business Administration (SBA), and the Global Trade & Technology Network (GTN)—the company recently was successful in entering a foreign market for the first time.

FOUR DECADES IN THE INDUSTRIAL HEARTLAND

Metz Tool and Die was founded in 1959 in Rockford, the second-largest city in Illinois, located about 80 miles northwest of Chicago. The company quickly established a reputation with manufacturers (particularly in the auto industry) and flourished in the 1960s through the 1990s, producing die-cast injection molds for a variety of manufactured products.

What kinds of products require these custom-made molds? According to Don Metz, company president, just about every manufactured product you can imagine: “When you have an idea,” says Metz, “it is the mold maker and his artistry that puts it in steel that produces something that can be sold. Everything that is mass produced, from the plastic rattle you shake as a baby to the hardware that decorates your casket when you are laid to rest, comes from our industry.”

A NEED FOR NEW MARKETS

The 1990s brought problems for the U.S. manufacturing sector, and Rockford was not spared. The city once depended almost exclusively on manufacturing. Small manufacturers in such industries as tool-and-die making almost never needed to go after global markets, since large corporations—such as Motorola, National Lock, and Amerock—provided steady contracts and income. But as some of these domestic industrial giants shifted their production overseas, small manufacturers suffered. Don Metz recalled in testimony he gave recently to Congress what he saw when he visited neighboring shops: “As I walked down the halls with one shop owner, I looked to my right and there was a \$100,000 machine sitting idle. Farther down the aisle was a \$300,000 machining center with no work on it. . . the silence was like a tomb.”

Metz Tool, along with many other small manufacturers, was forced to reassess its business strategy.

COUNSELING AND MARKET RESEARCH FROM THE COMMERCIAL SERVICE

Metz Tool’s initial contacts with potential government partners in its search for foreign buyers came in October 2001, when the new director of the local U.S. Export Assistance Center (USEAC), Patrick Hope, took a tour of the company’s facilities, accompanied by representatives from the office of the Rockford area’s congressman, Rep. Donald Manzullo. “The plant tour confirmed to us,” says Hope, “that the company’s products were high quality [and] that Don Metz was committed to investigating how the U.S. government could assist him to be more competitive in foreign markets.”

Over the next 15 months, Metz Tool was involved in some 40 counseling sessions with the Rockford USEAC. The center’s staff helped to identify Mexico as a prime market for Metz, based upon the company’s preeminence in manufacturing molds for the automotive industry and the relative ease of entry into the Mexican market. They were also able to tap into the expertise of the U.S. Commercial Service’s posts in Monterrey, Mexico City, and Guadalajara, thereby providing Metz with valuable market insights and identifying potential buyers of the company’s products.

About this same time, in November 2001, Don Metz joined SBA Administrator Hector Barreto and others in a trade mission to Guadalajara. It was, according to Metz, “an

opportunity for me to gain some firsthand knowledge of the business and cultural climate in Mexico.”

ADDITIONAL HELP THROUGH GTN

In February 2002, Metz Tool also began working with another government partner, the GTN, a program funded by the U.S. Agency for International Development. GTN works with small and medium-sized firms in the United States and in more than 40 developing and emerging market countries to encourage business linkages and facilitate international deals.

GTN was able to refine Metz's search for customers in Mexico and identify qualified buyers of the company's products. According to GTN's Midwest director, Gregg Baker, "GTN was able to deliver highly qualified matches that enabled Metz Tool to review them, ask questions, get answers from us right away, and then visit Mexico." In fact, GTN was able to help Metz Tool to obtain a travel grant that enabled Don Metz to make a follow-up visit to Mexico to meet with companies identified by GTN in its market intelligence reports. The GTN Mexico office identified nine suitable firms with which Metz met during his trip to Mexico. Says Metz, "We were able to jump right in because of the advance work done by GTN."

FULFILLMENT AND FINANCING ASSISTANCE

Marketing to potential clients and obtaining orders from them was not the only challenge for Metz Tool and Die. The company still needed assistance to fulfill and ship its orders. Metz sought this help from the U.S. Small Business Administration (SBA) and the Export-Import (Ex-Im) Bank of the United States, and eventually obtained a \$500,000 loan from AMCORE Bank, under terms of the U.S. government-sponsored Export Working Capital Program. Coming with a guarantee by the SBA, the loan allowed Metz Tool to finance the

construction and delivery of its products as well as provide 60-day terms following delivery. Additional financial assistance came from the Ex-Im Bank, which provided insurance to protect Metz Tool against non-payment on purchase orders financed on open accounts. "These are not easy steps," says Don Metz, "because they require a lot of paperwork, but they are well worth it."

FIRST SALES

Metz Tool's efforts of nearly a year and a half were rewarded in late 2002, when molds for auto transmissions worth some \$71,000 were shipped to Diecasting Mexicana, a Mexico City company. According to Metz, this deal looks to be the first of many between the two firms. And discussions are continuing to take place for future purchases, with the possibility of a joint venture.

Metz Tool is also looking at some other deals. By offering competitive financing terms to his buyers, Don Metz was able to return from a recent trip to Mexico with a \$250,000 order for a mold and has been asked to bid for additional units, with a potential for some \$500,000 to \$600,000 in future export sales. This would represent a 25-percent increase in Metz Tool's annual sales.

Metz Tool and Die's success in exporting came as the result of a long-term commitment by the company's owners to expand its business overseas. It also was the product of the combined efforts of several federal government agencies that were able to guide the company through new markets. It's a path that other small businesses looking to export for the first time will explore to their benefit. ■

Patrick Hope, Rockford USEAC director; Gregg Baker, GTN Midwest director; and GTN staffers David Hartingh and Erin Webster assisted in the compilation of this article.

Getting the Help You Need to Begin Exporting

Before it made its sales to Mexican firms in late 2002, Metz Tool and Die had no foreign customers. But the company's 15 months of preparation and marketing paid off. If your company is thinking of exporting, it should look into the same resources that Metz did. These include:

- U.S. Export Assistance Centers (USEACs) consist of a network of 104 offices tailored to the needs of new (and new-to-market) exporters. USEAC staff trade specialists can guide your company through the thicket of government programs that are available to make your first move to exporting easier. To locate the USEAC nearest you, call (800) USA-TRAD(E), or visit www.export.gov and click on "Export Counseling."
- The Global Trade & Technology Network (GTN), a program funded by the U.S. Agency for International Development, helps small and medium-sized enterprises in building trade linkages, identifying investment opportunities and accessing technologies. The firms are linked by a user-friendly, Internet-based, business matching platform. GTN assists firms in all industry sectors gain access to more than 40 developing countries and emerging markets. GTN registration and services are free of charge; simply visit www.usgtn.net to register. For additional information, contact Erin Webster at (202) 628-9750, ext. 19.



Photo courtesy of Metz Tool and Die.

Metz Tool and Die of Rockford, Ill. found a Mexican partner and successfully stabilized their production.